

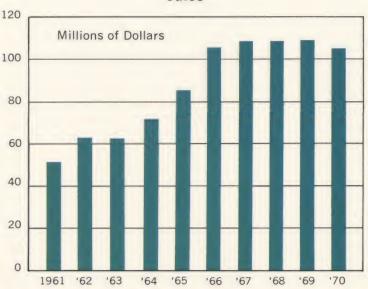


financial highlights

	1970	1969
Net sales	\$104,631,000	\$109,828,000
Net earnings before income taxes	9,104,000	16,208,000
Income taxes	4,570,000	8,290,000
Net earnings	5,221,000*	7,918,000
Net earnings per share	1.36*	2.05
Net earnings to net sales	5.0%*	7.2%
Capital expenditures	5,422,000	5,681,000
Depreciation	2,931,000	3,052,000
Number of shareholders	8,033	8,097
Number of employees	5,451	5,402

Year Ended September 30

Sales





One example of Acme-Cleveland's total machining capability is this special machine designed and produced to service a particular customer's need. Conceived from 94 years of metalworking experience, this machine is equipped with our cutting tools and controls to automatically produce in successive operations, tapered threadrolled pipe used on your household water heater.

^{*}Includes extraordinary credits of \$687,000, or \$.18 per share. See notes to consolidated financial statements.

In our Annual Report a year ago we made the following statement: "Taming inflation is a painful process. It means lower capacityutilization. It means a squeeze on profits. It means resistance both to higher prices and to excessive wage demands. It can mean a rash of strikes." Little did we realize at the time how accurate this statement would prove to be, not only for much of industry in general but also for our Corporation in particular.

Our Government's anti-inflationary program has become increasingly effective in its efforts to slow down the rate of price inflation. The unwinding of the Vietnam War has released much capacity in our country from the production of defense goods. The reallocation of resources from defense to peacetime undertakings is usually a slow process. There have been significant reductions this year in automobile production and in aircraft assemblies—both commercial and military. There have been significant reductions in the earnings of most corporations. Unfortunately, unemployment currently exceeds 5½%, and the manufacturing sector is operating at barely 75% of capacity.

During this past fiscal year our domestic cutting tool business has been under unusually severe price pressures, and we see no improvement in this situation at least until general business activity strengthens. In the machine tool end of our business, incoming orders declined as the year progressed. Our experience paralleled that of most fine companies in the capital goods field. In fact, all phases of our domestic business declined. Our export activities from this country and our foreign operations were the only encouraging areas of our business.

The wildcat Teamsters' strike last spring was quite damaging to many companies. The long strike at General Motors this fall was a very depressing factor on our economy. Its adverse effect on our Corporation will be reflected largely in our results for the 1971 fiscal year, since very little of this strike took place during the year currently under review.



SALES BREAKDOWN 1970

During our most recent fiscal year our total revenues declined from \$111,582,188 to \$106,500,184 or 4.6%. Net earnings declined from \$7,917,859 to \$5,220,766 or 34%. This represents a decline from \$2.05 per share to \$1.36 per share. The trend both in incoming orders and in earnings was steadily downward during the fiscal year. To conserve cash your Board of Directors reduced the quarterly dividend from \$.35 per share to \$.25 per share in August of 1970 and felt the rate should be further reduced to \$.20 per share effective with the dividend paid in November of 1970. For the fiscal year 1970 dividend payments were equal to \$1.30 per share compared with \$1.40 per share in fiscal 1969.

On September 19th a strike was called at our National Acme Division in Cleveland, where 1,400 hourly paid workers are affected. As this report goes to press, negotiations are still in progress with no immediate promise of settlement. On October 1, 1970 the Detroit area patternmakers also went on strike. This affects the 120 employees at our Automotive Pattern Company, a wholly owned subsidiary, which we acquired in January 1970 and which is a part of our Foundry Equipment Division. At both these locations our Company's wage and fringe benefit programs are substantially better than the community average. Increased wages and benefits without corresponding improvements in productivity continue to be a real problem to our country and to our Company. The "index of labor cost per unit of output in manufacturing," which is compiled by the United States Department of Commerce, tends steadily upward, indicating that labor costs in our country rise faster than increases in productivity. We are determined to pre-



message to our shareholders serve our ability to compete on a profitable basis for our customers' requirements. We are determined to resist cost increases which we cannot recover through improved productivity. We predict a substantial loss for our October through December quarter.

1970 has been a disappointing year for much of American industry—including our Corporation. As a nation we seem unwilling to face up to the fact that our country is currently in a recession. We do not predict a brighter year in 1971. It takes time to recover from the excesses of the latter half of the 1960's. In fact, we see no strong business activity here in the United States until 1972, though we believe the trend will be upward during the second half of 1971.

So much for the dismal side of the picture. There's a brighter side, too, and we are very much encouraged by it. American industry will recapture prosperity only by earning it through greater productivity. Our business

for nearly 100 years has been that of helping our customers reduce their unit costs of production. There's no other solution to steadily rising labor costs. And so we are confident that before long much of today's productive capacity will be recognized to be obsolete, and a whole new generation of highly productive machines will replace it. We are confident that more and more companies will recognize the folly of equipping these highly productive machines with anything other than the most productive tooling. The low bidder will be looked at with suspicion rather than considered a national hero.

The employees in our newer facilities both at home and abroad are rapidly increasing their skills and self-confidence. These facilities represent a lot of seed corn planted with the full expectation that they will grow into useful and profitable ventures. We are confident that they will play important roles in our Corporation's growth in the future.

This year we are especially grateful to our loyal customers, who have stood patiently and solidly behind us during our confrontation with inflationary demands. We shall do our very best to warrant their confidence in us. Meanwhile, our Corporation looks eagerly at the challenges and opportunities of the future.

Arthur S. Armstrong
Chairman of the Board and
Chief Executive Officer

Raymond E. Channock

President
December 11, 1970







To make and market the best products and systems for industry under the best possible conditions with constantly improving efficiency . . . is the aim of Acme-Cleveland.

Our Philosophy: 1) Gain a growing group of regular customers, and thus provide an increasing number of steady jobs at good wages. 2) Enhance the well-being of employees, customers, suppliers and stockholders, and secure adequate funds for the growth of the business. 3) Promote the upbuilding and prosperity of our community, and through better tools at lower costs contribute to the forward march of humanity.

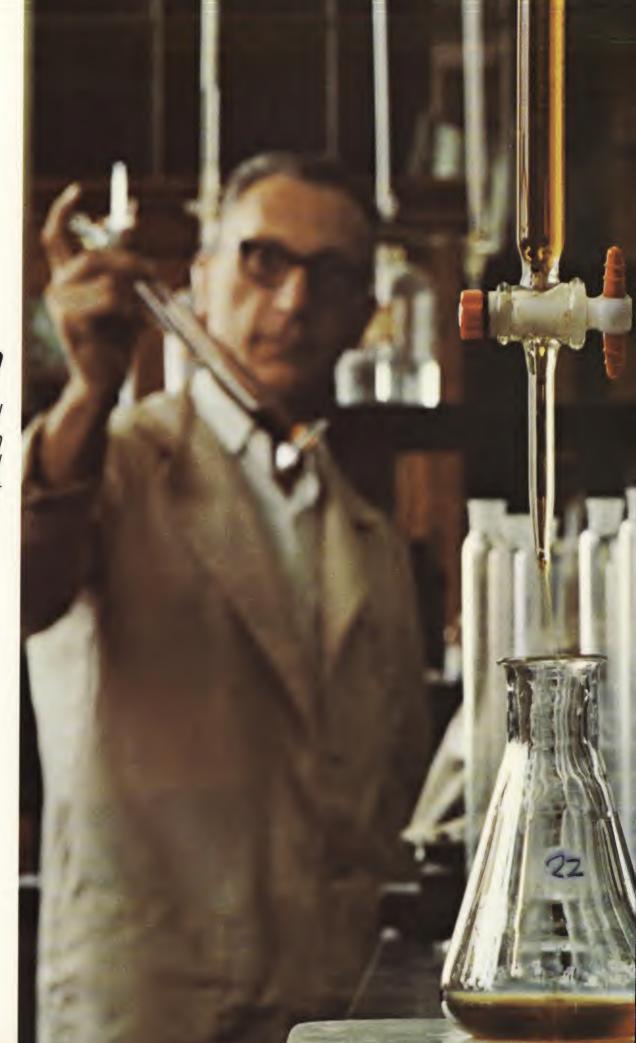
Since the merger of National Acme with Cleveland Twist Drill, synergism is truly in action at Acme-Cleveland. When you combine the largest manufacturer of multiplespindle bar and chucking machine tools with a highly respected manufacturer of cutting tools, the total effect is greater than the sum of the two-total production systems for industry. Add to this . . . specialization in threading tools, advanced special purpose machines, electrical controls, foundry systems, applied research and development, computerized distribution programs, personalized service . . . and you begin to realize how useful Acme-Cleveland can be to the industries it serves.

Computerization plays an important role at Acme-Cleveland. Its use extends from gathering and processing data for our research and development activities to applications in manufacturing and service to customers.

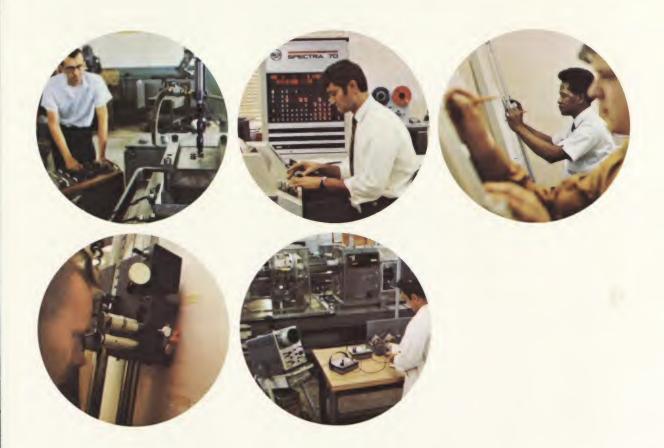
Our markets are worldwide with manufacturing plants and sales-service facilities extending around the globe. We make fine products and design fine systems for manufacturers who produce automobiles, aircraft, appliances, construction equipment and materials, pollution control devices, electronics, mass market items—literally everything.

Acme-Cleveland has disciplined plans for diversification and growth. Our course of action is based on compatibility of acquisitions, products, sales and service—all of which forecasts an excellent growth picture for our corporation.

Acme-Cleveland is comprised of 16 manufacturing operations and 13 distribution and sales outlets throughout the world, employing over 5500 people.



applied research and development



Acme-Cleveland's merged corporation has pooled its vast experience and facilities to satisfy its customers' needs—creating fine production systems for industry. Our research and development capabilities not only enable us to design and engineer tools, controls and other machining components, but also to develop methods to manufacture these tools and components in the most efficient manner at the most reasonable cost.

The corporation applies its research and development expertise to solve many different kinds of problems. Careful consideration and analysis is given to materials, products and methods from a total machining capability—numerical control, machine tools, cutting tools, coolants, holding devices and electrical controls.

New products and systems are continually being developed to meet the demands of existing operations or in anticipation of new, more efficient manufacturing techniques. Some of these projects include: new grinding, forming and casting processes; surface treatments; special machines automated with advanced tooling—precision controls—pin-point accuracy—complete versatility; rapid metal removal; and miniaturization of electrical controls, machine capabilities and cutting tools.

Testing procedures are intensive, sophisticated and extensive everywhere at Acme-Cleveland. New products and systems undergo critical examination during pilot production runs before equipment is released for further testing at operational levels.

Chemical and metallurgical research plays a key part at Acme-Cleveland. Our exacting material specifications establish the quality and performance standards for our industry.

Computer technology is applied extensively. Continual liaison is maintained at management and operational levels to keep abreast and ahead of developments that will be productive and profitable. Information is gathered from every conceivable source relating to design, engineering, materials, products, systems, and manufacturing methods. Performance records and customer reports are processed daily to provide pertinent data for continually improving product quality and performance. Acme-Cleveland's innovative research and its practical application mean more customer benefits—better products, more efficient operation, lower costs.





product and systems development

Developing quality products and systems of maximum productivity for customers is the objective of Acme-Cleveland. Our creative ability combined with technical know-how provides the thrust to anticipate customer needs for a wide variety of machines, cutting and threading tools, foundry equipment and electrical controls—whether they be for total machining systems or for a specific operation.

Advanced design Acme-Gridley 4-, 6- and 8spindle automatic bar and chucking machines are used to mass-produce a wide range of precision components for everyday products that will be required by our expanding economy. National Acme is the world's largest builder of multiple-spindle bar machines with capacities ranging from 1/6" to 8"; chucking machines are offered in capacities to 12".

The number of machining and assembly operations feasible on Acme-Gridley machines is almost unlimited. Numerous accessories, attachments and mechanisms are available with which to obtain maximum machine capability. These machines are

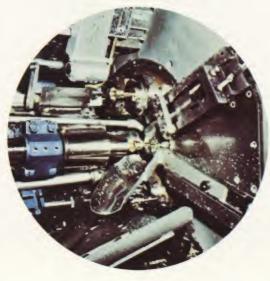
truly universal—turning, forming and heat treating metal; threading, sawing, drilling, tapping, reaming, burnishing, hollow milling, broaching, stenciling, slotting and assembling.

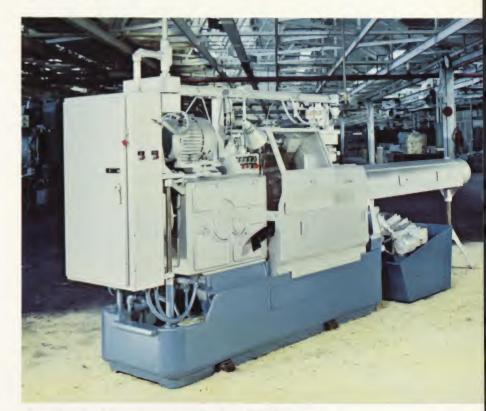
Our workholding devices are known and used throughout the world. Acme-Gridley collets and pushers are designed especially for our machines to assure maximum gripping power, fast action, long life and sustained accuracy.

And, whenever it becomes necessary to recondition or rebuild Acme-Gridley bar or chucking machines, National Acme exercises the same care and skill that went into the original machine.

During this year National Acme formed its Special Machines Division to further expand our marketing concept for customers—more profitable manufacturing in highly competitive markets. Emphasis is placed on acquainting customers, large and small, with many advantages of combining machine and assembly operations to obtain what customers need through the special production systems approach.







Acme-Cleveland figured prominently at the 1970 National Machine Tool Builders Show with its display of advanced design machines and threading tools. They were selected for their versatility, capability and wide application to the modern production systems concept. One procedure here involves a precise assembly operation following machining of the part in the first five operations.



product and systems development

An increasingly important part of Acme-Cleveland's product and systems development is in the area of threading tools and machines. A major step forward was taken in fiscal 1970 when marketing operations for Bay State, H & G and National Acme's threading tool plants, were consolidated and streamlined to form the Threading Tools Division of Cleveland Twist Drill. With the pooling of these resources, this division now manufactures and distributes the industry's most nearly complete line of solid taps and dies, self-opening die heads, thread rolling heads, collapsible and solid adjustable taps and gages—computer-designed with the control and precision of N/C machining.

Cleveland Twist Drill continues to be a major factor in the cutting tool industry with more than 40,000 types and sizes of tools ready to answer any customer need—from drilling microminiaturized holes for electronic components to mass metal removal. New developments include: coolant feeding carbide drills which can produce holes ten times faster than conventional twist drills and premium cobalt high speed end mills that remove large amounts of material faster

with extended tool life. These developments, along with Acme-Cleveland's unusual machine loading and unloading applications, quick change tooling and unique design of milling attachments, have enabled manufacturers to revamp their manufacturing methods for more efficient production with reduced costs.

Top priority during 1970 in the Electrical Control Division has been to increase inhouse capability. The division produces solenoids, limit switches, coils, solid state controls and electronic devices for regulating production machinery needed by other industries. Electronic proximity switches and non-contact sensing devices, so essential to the automation and mechanization of manufacturing, materials handling and inventory control, are being added to the line. New developments are: limit and special multiplecircuit proximity switches for machine tool and marine applications, miniature solenoids for new hydraulic valves, liquid level float switches, heavy-duty foot switches and a complete line of DC solenoids.

The Foundry Equipment Division introduced several new machines which produce shell cores and molds on a fully-automated basis. This new development and the acquisition of Automotive Pattern Company of Detroit offer an expanded line of foundry equipment for Acme-Cleveland customers.



Total machining capability of Acme-Cleveland is clearly in evidence with these photographs. The range is as broad as it is versatile . . . machine tools—threading and cutting tools—electrical controls—foundry equipment . . . quality production systems for industry by Acme-Cleveland.



Multiple-spindle carrier assembly the heart of the Acme-Gridley machine.

The marketplace for Acme-Cleveland is everywhere. Our products and systems are produced and marketed throughout the free world for industrial manufacturers to make every conceivable product.

Acme-Cleveland is growing in many vital areas. One of our major roles—supplying the construction equipment industry with more efficient metalworking machines and cutting tools—is taking on added significance. Customer demand for optimum productivity in constructing more highways, buildings and housing increases our challenge and responsibility as a prime supplier of quality products.

The transportation industry is a giant market in itself. The movement of people and goods continues to increase at a rapid rate—and along with it—the market for passenger cars and trucks, and for parts and accessories. This large segment of transportation combined with aircraft, railway and marine carriers accounts for an ever increasing share of our business. We are working continually with manufacturers of transportation equipment and facilities in developing new products and applications that will increase production and reduce costs.

Household products represent a mass market for Acme-Cleveland. Components for appliances, television, radio, plumbing and electrical fixtures, air conditioning and heat-



ing equipment are just a few of the things manufactured with our machines and tools. Other everyday items, including those for recreation, health care and pollution control, are mass-produced by manufacturers using our products and systems.

In the vast field of science — electronics, medicine, exploration of earth-sea-space, defense weapons and systems, automation, miniaturization, computerization, communications—we are deeply involved.

Acme-Cleveland is organized to service any market in the free world through worldwide manufacturing and distribution facilities.





our markets From the outset of its merger two years ago, Acme-Cleveland has embarked on disciplined plans for diversification and growth. Our marriage of cutting tools with machine tools has put our corporation in the following fields—electronics, controls, casting equipment, machines, cutting tools, and workholding devices for production systems. As a consequence, Acme-Cleveland can satisfy practically any metalworking requirement . . . whether it be sophisticated systems programmed with numerical control . . . or individual components that set industry standards for quality and performance.

This past year Automotive Pattern Company of Detroit, Michigan joined the Acme-Cleveland family as a member of its Foundry Equipment Division. This acquisition further expanded the broad line of patterns, cores and molds manufactured by this division, for castings of all types. Automotive Pattern represents an important share of this market.





The world is rapidly becoming a vast global market into which Acme-Cleveland is expanding its operation and penetration at an accelerated pace. In a period when the domestic economy has been soft, our international interests have been extremely active and productive from both manufacturing and marketing aspects.

Our export sales from the United States reached an all-time high during the past year and the forecast for 1971 gives every indication of another gratifying year. Over 40,000 different items, most of which were expendable tools, were exported to 59 countries. Significant market penetration was made worldwide. A good part of the overall market growth occurred from increased production by foreign subsidiaries and licensees.

Cleveland Twist Drill Limited had an excellent year with substantial increases in domestic and export sales. In addition to the 59 countries receiving U.S. exports, CTD Ltd. shipped products to twenty additional



Peterhead, Scotland plant— Cleveland Twist Drill Limited.

international

operations



Maastricht, Netherlands plant— Cleveland Twist Drill Nederland N.V.



Toronto plant— Cleveland Twist Drill Canada Ltd.



Mexico City stockroom— Herramientas Cleveland S.A.

countries—a total of 79 countries now using our tools. The plant in Peterhead, Scotland reported increased demand for cutting and threading tools. Production increased 30% while domestic sales rose 24% and export sales 38%. In 1970 our manufacturing plant in Glasgow was relocated, expanded and consolidated with sales and distribution activities, to become marketing headquarters for the United Kingdom. It is strategically located and offers excellent air and ground transportation facilities for improved customer services.

Cleveland Twist Drill Nederland N.V. in its new Maastricht plant, with manufacturing, sales and distribution facilities, puts us in a stronger position to serve our customers on the continent.

Cleveland Twist Drill Canada Limited in Toronto offers an expanding line of products to service our important Canadian market. Sales personnel and inventory facilities here expedite processing of orders and deliveries to distributors and customers throughout the country. Although the Canadian economy during 1970 has been somewhat depressed, our sales volume there increased slightly.

In Pachuca, Mexico, Herramientas Cleveland S.A. last year doubled its capacity for producing cutting tools to service Mexico and Latin America.

Many new products are being added to meet demand and expand our cutting tool line. In July, 1970, a new sales and distribution center was opened in Mexico City, streamlining our total operation for better customer service. Sales climbed steadily throughout 1970 and are expected to increase in 1971.

Wholly-owned subsidiaries, licensees, agents



Glasgow, Scotland plant— Cleveland Twist Drill Limited—opened in 1970.

and distributors continued to contribute significant sales increases in foreign markets for National Acme machine tools, foundry equipment and electrical controls.

The type and magnitude of worldwide service that can be expected from Acme-Cleveland to reduce weeks to hours is best illustrated by a recent international air shipment. To meet a critical customer deadline, two completely tooled National Acme production machines weighing 84,000 lbs. were shipped air cargo from Cleveland to Pisa, Italy. This was the heaviest industrial air shipment from the U.S.A. during 1970.

Acme-Cleveland has earned worldwide recognition and acceptance for producing, selling and distributing products and systems of quality and performance. The same total involvement accorded our domestic activities—research, development, manufacturing, sales distribution and service—is responsible for our increasingly strong position in world markets.





• Cleveland Twist Drill Manufacturing Operations and Stockrooms.

National Acme Operations.

Acme-Cleveland Markets—the entire free world.

Satisfied customers are repeat customers, a benefit which arises from providing the perfect balance of product and service performance. Our total service capability enables us to serve customers and distributors anywhere, at anytime with complete, efficient, personal care.

One of our most exciting service developments during the past year has been the installation of a new facility in Cleveland. This electronically links Cleveland Twist Drill's third generation computer service center with manufacturing, sales and distribution operations throughout the country and Canada. The computer center is continually supplied with input information requirements from every source . . . research, design, engineering, manufacturing, marketing areas, customers and distributors. This new system controls inventories, expedites deliveries and produces an instant picture of orders and deliveries in process at locations throughout the U.S.A. With this total service facility Acme-Cleveland can supply more customer needs more efficiently.

Another important aspect of our service relates to advanced training programs for consumer and distributor customers. Acme-Cleveland has several of these in operation: a distributors' sales program designed for increasing knowledge of products and applications through technical discussion, demonstration and participation; a customer training program for operators, setup and maintenance men; and training programs which

enable employees of Acme-Cleveland to upgrade their skills. Still another program helps support local trade schools, providing industry with a pool of skilled technicians.

To complete our total service capability, Acme-Cleveland maintains staffs of factory-trained representatives who actively plan and develop more efficient applications of products and systems . . . teamwork tooling that means productivity and profitability.









total service capability

statement of consolidated earnings

	Year Ended September 30	
	1970	1969
Net sales	\$104,631,272	\$109,827,768
Other income	1,868,912	1,754,420
	106,500,184	111,582,188
Costs and expenses:		
Cost of products sold	72,123,075	71,290,349
Selling, administrative and general expenses	21,138,506	19,979,626
Depreciation—Note D	2,930,853	3,051,725
Interest	925,913	864,583
Other	278,071	188,046
	97,396,418	95,374,329
Earnings Before Income Taxes		
AND EXTRAORDINARY CREDITS	9,103,766	16,207,859
U.S. and foreign income taxes:		
Currently payable	4,071,200	7,959,000
Deferred—Note D	498,800	331,000
	4,570,000	8,290,000
EARNINGS BEFORE		
Extraordinary Credits	4,533,766	7,917,859
Extraordinary credits—Note F	687,000	- 0 -
NET EARNINGS	\$ 5,220,766	\$ 7,917,859
Per Common Share:		
Earnings before extraordinary credits	\$ 1.18	\$ 2.05
Extraordinary credits	.18	- 0 -
Net earnings	\$ 1.36	\$ 2.05

See notes to consolidated financial statements.

Acme-Cleveland Corporation and Subsidiaries

ten year summary

Sales and Earnings	1970	1969	1968
Net Sales	\$104,631,272	\$109,827,768	\$109,390,676
Earnings Before Taxes	9,103,766	16,207,859	17,629,824
Federal Taxes on Income	4,570,000	8,290,000	8,779,382
Net Earnings	5,220,766*	7,917,859	8,850,442
Net Earnings to Net Sales	5.0%*	7.2%	8.1%
Earnings per Share	1.36*	2.05	2.22
Dividends Paid—Acme-Cleveland	4,996,552	5,949,069	4,941,590
Other Financial Information			
Current Assets	\$ 61,186,389	\$ 58,449,567	\$ 58,726,106
Current Liabilities	14,014,431	20,194,447	23,612,285
Working Capital	47,171,958	38,255,120	35,113,821
Shareholders' Equity (Net Worth)	67,147,289	66,909,765	64,801,836
Shareholders' Equity per Share	17.47	17.41	16.91
Property, Plant and Equipment—Net	30,052,809	27,731,116	25,886,891
Capital Additions	5,422,425	5,681,331	6,468,505
Depreciation	2,930,853	3,051,725	3,276,479
General Information			
Average Number of Shares Outstanding	3,843,427	3,853,801	3,983,985
Number of Shareholders	8,033	8,097	6,883
Number of Employees—Year-End	5,451	5,402	5,414
*Includes extraordinary credits of \$687,000 or \$ 18 per chara			

^{*}Includes extraordinary credits of \$687,000 or \$.18 per share.

The 1969 figures are for the 12 months ended September 30, which includes the transitional 3-month period ending December 31, 1968, which was previously reported. All figures in this report are combined to reflect the merger of The Cleveland Twist Drill Company and National Acme Company in 1968 on a pooling of interests basis. The 1968 figures are for the 12 months ended December 31. Figures for 1967 and prior years are the result of combining the 12 months ended December 31, for National Acme Company with the 12 months ended September 30, for The Cleveland Twist Drill Company.

1967	1966	1965	1964	1963	1962	1961
\$108,470,330	\$106,046,914	\$85,845,324	\$71,939,581	\$62,447,516	\$62,889,314	\$51,894,039
17,304,475	19,861,715	14,707,327	10,964,678	9,143,806	9,000,324	6,045,802
8,002,167	9,177,619	6,749,635	5,040,000	4,652,000	4,576,100	3,060,000
8,997,963	10,684,096	7,957,692	5,924,678	4,491,806	4,424,224	2,985,802
8.3%	10.1%	9.3%	8.2%	7.2%	7.0%	5.8%
2.25	2.67	2.01	1.51	1.15	1.13	.76
4,514,617	5,994,599	5,087,693	3,450,188	2,815,717	2,267,872	1,826,000
\$ 58,532,750	\$ 57,996,777	\$52,980,417	\$48,876,201	\$46,331,922	\$43,942,719	\$41,042,136
16,412,771	16,383,332	10,449,038	8,897,053	8,458,586	8,125,775	7,695,231
42,119,979	41,613,445	42,531,379	39,979,148	37,873,336	35,816,944	33,346,905
66,403,215	61,545,446	56,802,355	53,468,477	50,830,193	49,076,900	47,048,106
16.57	15.41	14.34	13.65	13.02	12.57	12.00
22,999,108	18,462,677	13,731,357	12,399,017	12,174,116	12,477,429	12,879,945
6,517,241	6,712,255	3,740,508	2,209,154	1,743,344	1,644,144	1,888,979
2,827,291	2,278,132	2,260,767	2,060,937	2,038,064	1,992,137	1,528,256
4,004,908	3,994,938	3,960,358	3,917,470	3,902,794	3,903,332	3,920,000
6,979	6,697	6,187	5,534	5,471	5,492	5,587
5,383	5,121	4,598	4,214	3,854	3,850	3,701

statement of consolidated financial position

	September 30	
	1970	1969
Current Assets		
Cash	\$ 2,121,428	\$ 1,468,549
Marketable securities—at approximate market	1,140,474	1,555,703
Trade accounts and notes receivable:	1,140,474	1,000,700
Accounts	13,332,377	14,524,827
Notes and installment contracts including amounts due beyond	-5,552,511	11,021,021
one year (1970—\$2,295,464; 1969—\$3,240,581)	5,032,519	6,295,602
	18,364,896	20,820,429
Inventories—Note B:	, ,	,,
Work in process and finished products	34,269,946	28,858,020
Raw materials and supplies	5,289,645	5,746,866
	39,559,591	34,604,886
TOTAL CURRENT ASSETS	61,186,389	58,449,567
LESS CURRENT LIABILITIES		,,,
Notes payable to banks	1,178,387	5,575,027
Notes payable to employees	1,281,120	1,486,150
Accounts payable and accrued expenses	6,231,639	6,209,530
Salaries, wages, other compensation and payroll taxes	4,320,978	5,733,341
Federal income taxes	1,002,307	1,190,399
Total Current Liabilities	14,014,431	20,194,447
Working Capital	47,171,958	38,255,120
PROPERTY, PLANT, AND EQUIPMENT—		
on the basis of cost		
Land	2,480,777	2,329,989
Buildings	16,039,782	15,148,421
Machinery and equipment	43,665,745	41,231,413
	62,186,304	58,709,823
Less allowances for depreciation	32,133,495	30,978,707
	30,052,809	27,731,116
Other Assets	2,613,322	2,056,529
	79,838,089	68,042,765
Long-Term Liabilities		
Long-term debt—Note C	11,861,000	802,000
Deferred federal income taxes—Note D	829,800	331,000
	12,690,800	1,133,000
NET ASSETS—REPRESENTING		
Shareholders' Equity	\$ 67,147,289	\$ 66,909,765
Shareholders' Equity		
Serial Preferred Shares, without par value:		
Authorized—		
1,000,000 shares—none issued		
Common Shares, par value \$1 per share—Note E:		
Authorized—10,000,000 shares		
Issued and outstanding— 3,843,932 shares		
(1969—3,842,172 shares excluding 206,600 shares held	A 0.040.000	
in treasury, retired in 1970)	\$ 3,843,932	\$ 3,842,172
Retained earnings.	3,289,574	3,278,024
Tetamen carmings	60,013,783	59,789,569
	\$ 67,147,289	\$ 66,909,765
See notes to consolidated francial etatements		

statement of consolidated source and application of funds

	Year Ended September 30	
	1970	1969
Working capital at beginning of year	\$ 38,255,120	\$ 43,278,013
Sources:		
Net earnings	5,220,766	7,917,859
Depreciation	2,930,853	3,051,725
Sales of Common Shares under option plan	13,310	157,281
Long-term debt	11,059,000	802,000
Deferred federal income taxes	498,800	331,000
	19,722,729	12,259,865
	57,977,849	55,537,878
Applications:		
Dividends paid	4,996,552	5,949,069
Net additions to property, plant, and equipment	5,252,546	5,204,140
Adjustments in connection with pooled company	- 0 -	290,642
Cost of treasury shares acquired from dissenters	- 0 -	5,806,375
Other—net	556,793	32,532
	10,805,891	17,282,758
Working capital at end of year	\$ 47,171,958	\$ 38,255,120

statement of consolidated shareholders' equity

	Common Shares		Other	Retained		
	Shares	Amount	Capital	Earnings	Total	
Balance at January 1, 1969—Note H.	3,832,642	\$3,832,642	\$1,565,018	\$59,404,176	\$64,801,836	
Net earnings for the year ended September 30, 1969				7,917,859	7,917,859	
Deduct net earnings for the transitional three months ended December 31, 1968, which is included in net in- come of the year ended September				(1.019.100)	/1.019.100\	
30, 1969 To adjust allocation of the cost of the				(1,912,198)	(1,912,198)	
treasury shares purchased in prior year			1,587,520	(1,587,520)	- 0 -	
Cash dividends, quarterly at \$.35 a share				(4,032,748)	(4,032,748)	
Sale of Common Shares under option plan	9,530	9,530	125,486		135,016	
Balance at September 30, 1969	3,842,172	3,842,172	3,278,024	59,789,569	66,909,765	
Net earnings for the year ended September 30, 1970				5,220,766	5,220,766	
Cash dividends, quarterly at \$.35 a share through third quarter and \$.25 for the fourth quarter				(4,996,552)	(4,996,552)	
Sale of Common Shares under option plan	1,760	1,760	11,550		13,310	
Balance at September 30, 1970	3,843,932	\$3,843,932	\$3,289,574	\$60,013,783	\$67,147,289	

See notes to consolidated financial statements.

notes to consolidated financial statements

NOTE A—Principles of Consolidation: The consolidated financial statements include the accounts of the Corporation and all of its subsidi-The accounts of foreign subsidiaries have been translated at appropriate rates of exchange and the resulting gains or losses (which are not material in amount) are reflected in operations. The net assets of the foreign subsidiaries amounted to approximately \$9,447,000 at September 30, 1970.

NOTE B-INVENTORIES:

Inventories are priced at cost (principally last-in, first-out method of determination) not in excess of replacement market. Such valuations were less than replacement cost of the inventories by approximately \$9,048,000 at September 30, 1970 and \$7,520,000 at September 30, 1969.

.,,,	September 30,		
	1970	1969	
NOTE C—Long-Term Di Liability to banks under revolving credit agree- ment	\$11,150,000	\$ -0-	
ing interest at rates of 6% and 7½% Various debt arrangements of foreign subsidiaries maturing at various dates to 1981 and	375,000	- o -	
bearing interest at rates of 7½% to 10%	336,000	802,000	
	\$11,861,000	\$802,000	

On September 30, 1970, the Corporation entered into a revolving credit agreement with a group of banks under which it may borrow at the prime interest rate then in effect up to \$15,000,000 until September 30, 1973. A commitment fee is also payable quarterly beginning on December 31, 1970, at the rate of ½ of 1% per annum on the average daily amount of the unborrowed portion of the \$15,000,000. At any time up to that date, the Corporation may convert any portion of the interim borrowings to term loans on which the interest will be payable ½ of 1% over the prime rate then in effect. The term loans will be payable in sixteen equal quarterly installments beginning 90 days effect. The term loans will be payable in sixteen equal quarterly installments beginning 90 days after the date of the term note. The credit agreeafter the date of the term note. ment contains certain restrictions covering maintenance of working capital and limiting capital distributions (as defined) including the payment of cash dividends. Retained earnings of approximately \$56,100,000 were not restricted at September 30, 1970. Of the amount borrowed at September 30, 1970, substantially all of the proceeds were used to pay off various short-term notes.

NOTE D-DEPRECIATION:

The Corporation computes depreciation on the

straight-line method for accounting purposes. For tax purposes accelerated methods are used. The tax effect of the difference is identified in the accompanying statements as deferred taxes.

NOTE E-STOCK OPTIONS:

Stock option plans authorize the issuance of Common Shares to key employees at not less than the market price on dates of grant. The options become exercisable over a period of five years, beginning one year after date of grant. A summary of the changes in outstanding stock options and the number of shares reserved for future options is as

TOHOWS.			
	Options Out	standing	Shares
	Total	Number	Reserved
	Option	of	for Future
	Price	Shares	Options
Balance at			Options
	01 040 071	01 000	
October 1, 1969	\$1,340,071	61,636	156,140
Granted	1,199,138	51,300	(51,300)
Exercised	(13,310)	(1,760)	(,,
Cancelled	(156,781)		7 140
Canceneu	(130,701)	(7,140)	7,140
Balance at			
September 30,	40.000		
1970	\$2,369,118	104,036	111,980
Exercisable at			
September 30,			
1970	\$ 889,180	41,786	
	+ 000,100	11,100	
NOTE E EUR			
NOTE F-EXTRAOL			
Gain on the sale of	certain ma	chinery	
and equipment of	a discontinu	od divi	
and equipment of	a discontinu	ed divi-	
sion, less related i	ncome taxes	10	
\$144,000			\$230,470
Reserve no longer re			,,
termination of a I	Ronus Plan		995 000
A distantion of a 1	conus I lan.		225,000
Adjustment resultin			
Revenue Service e	xamination,	less re-	
lated income taxes			231,530
	+-0 1,000		201,000
			\$687,000
NOMP O P			

NOTE G-Pensions:

The companies have several pension plans covering substantially all employees. The total pension expense for the year was approximately \$1,576,000 which includes amortization of prior service cost. The companies' policy is to fund pension cost accrued. The actuarially computed value of vested the pension cost are the companies of their respective annibenefits for certain plans as of their respective anniversary dates exceeded their pension funds by approximately \$3,920,000.

NOTE H-CHANGE OF FISCAL YEAR:

During 1969 the Corporation changed its fiscal year from December 31 to September 30. For purposes of comparison, the year ended September 30. includes the results of the previously reported transitional three months ended December 31, 19 (net sales \$25,967,629; net earnings \$1,912,198).

auditors' report

ACME-CLEVELAND CORPORATION Cleveland, Ohio

We have examined the statement of consolidated financial position of Acme-Cleveland Corporation and subsidiaries as of September 30, 1970, and the related statements of consolidated earnings, shareholders' equity, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the

In our opinion, the accompanying statements identified above present fairly the consolidated financial position of Acme-Cleveland Corporation and subsidiaries at September 30, 1970, and the consolidated results of their operations, changes in shareholders' equity, and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio November 18, 1970

board of directors

ARTHUR S. ARMSTRONG

Chairman of the Board and Chief Executive Officer

RALPH M. BESSE

Partner-Squire, Sanders & Dempsey

CARLETON BLUNT

Counsel to Bell, Boyd, Lloyd, Haddad & Burns

Chicago

RAYMOND E. CHANNOCK

President

CHARLES W. CLARK

Vice President

W. PAUL COOPER

Vice President

STEPHEN M. DUBRUL, JR.

Partner—Lehman Brothers

New York

ROBERT C. OCHS

Vice President, Eaton Yale & Towne Inc.

JACOB B. PERKINS

President, The Hill Acme Company

JOHN S. PRESCOTT

Retired; formerly Senior Vice President, The Sherwin-Williams Co.

KARL H. RUDOLPH

President, The Cleveland Electric Illuminating Company

EARL P. SCHNEIDER

Partner-Thompson, Hine and Flory

JOHN C. STITES

Vice President

ARTHUR O. WILLEY

Consultant; formerly Chairman of the Board, The Lubrizol Corporation

officers

ARTHUR S. ARMSTRONG

Chairman of the Board and Chief Executive Officer

RAYMOND E. CHANNOCK

President

W. PAUL COOPER

Vice President

CHARLES W. CLARK

Vice President

JOHN C. STITES

Vice President

THOMAS M. SKOVE
Treasurer and Assistant Secretary

ROBERT W. GILLESPIE

Secretary and Assistant Treasurer

General Counsel

Thompson, Hine and Flory, Cleveland

Co-Registrars

The National City Bank of Cleveland Chemical Bank, New York

Co-Transfer Agents

The Cleveland Trust Company Bankers Trust Company, New York

Auditors

Ernst & Ernst, Cleveland

ANNUAL MEETING OF SHAREHOLDERS

will be held on January 28, 1971. Shareholders as of December 11, 1970, the record date for the determination of voting power at the meeting, will be entitled to vote. The notice, proxy statements, and proxy will be mailed to shareholders on or about December 29, 1970.

R. W. Gillespie, Secretary

operations

THE CLEVELAND TWIST DRILL CO.

Cleveland and Threading Tools Division Cleveland, Ohio

Bay State Manufacturing Plant Mansfield, Massachusetts

Cleveland Twist Drill Canada Ltd. Rexdale (Toronto), Ontario, Canada

Glasgow Manufacturing Plant Glasgow, Scotland

Cleveland Twist Drill Limited Peterhead, Scotland

Cleveland Twist Drill Nederland N. V. Maastricht, The Netherlands

Herramientas Cleveland S.A. Pachuca, Mexico

NATIONAL ACME

Machine Tools, Special Machines and Foundry Equipment Cleveland, Ohio

Electrical Controls
Jefferson, Ohio

Foundry Equipment Kewanee, Illinois

Precision Metal Patterns, Core Boxes and Related Tooling Detroit, Michigan

Namco Machinery Limited Luton, England

Machine Tools Licensee
Herbert-B.S.A. Limited
Birmingham, England

Electrical Controls Licensee
Herbert Controls & Instruments, Ltd.
Letchworth, Hertfordshire, England

Electrical (Switches Only) Licensee Fritz Dienes GmbH Muhlheim, West Germany

Machine Tools Licensee
Pittler Maschinenfabrik AG
Frankfurt/Main, Germany

Machine Tools Licensee
Mitsubishi Heavy Industries, Ltd.
Tokyo, Japan



Acme-Cleveland Corporation • P.O. Box 5617 • Cleveland, Ohio 44101